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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 10, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller 

SUBJECT: **PACIFIC ASIAN CONSORTIUM IN EMPLOYMENT CONTRACT
REVIEW**

We have completed a contract compliance review of the Pacific Asian Consortium In Employment (PACE), a Refugee Immigrant Training and Employment Program (RITE) service provider. The review was conducted as part of the Auditor-Controller's Centralized Contract Monitoring Pilot Project.

Background

The Department of Community and Senior Services (DCSS) contracts with PACE, a private, non-profit, community-based organization, to provide job training services to Vietnamese, Chinese and Cambodian speaking CalWORKS recipients who have resided in the United States over five years. The types of services provided by PACE include job readiness training, career planning services and job placement. PACE's offices are located in the First, Second, and Fifth Districts.

DCSS pays PACE a fixed fee for each type of service based on budgeted program costs and anticipated service levels. For Fiscal Year 2002-03, DCSS paid PACE approximately \$577,000.

Purpose/Methodology

The purpose of the review was to determine whether PACE was providing the services outlined in their County contract and maintaining proposed staffing levels. Our monitoring visit included a review of PACE's billing statements, participant case files, personnel and payroll records, and interviews with PACE staff, program participants and participant employers.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

PACE was out of compliance with certain contractual requirements. PACE overstated two (11%) of the 18 employment outcomes (full-time and part-time employment), and 13 (45%) of the 29 job training outcomes sampled, which resulted in PACE overbilling DCSS \$1,096 out of the total \$6,742 sampled. Examples of overbillings include the following:

- Billing for placing a participant in a full-time job when the participant was already employed full-time with the same employer.
- Billing for providing participants with case management services when PACE did not have monthly contact with the participants, as required by the contract.
- Billing for employment placements in which the program participants did not receive paychecks from employers that are in accordance with the California State Labor Code, as required by the contract.

PACE's five current Case Managers possess the work experience required by DCSS' contract. However, a sixth Case Manager who was laid off in December 2003, but was actively managing cases during the period under review, did not possess the required education or work experience at the time he was hired by PACE approximately six years ago. As a result, during the period of July 1999 – December 1999, DCSS paid PACE for services provided by this individual who did not have sufficient GAIN work experience. We also noted that two of PACE's Case Manager caseloads exceed the maximum allowed by the contract.

Review of Report

On May 5, 2004, we discussed our report with PACE. In addition, we notified DCSS of the results of our review. DCSS will work with PACE and monitor them to ensure that areas of non-compliance disclosed in this report are resolved and will report to your Board within 60 days of this report.

We thank PACE for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1122.

JTM:DR:DC

Attachment

- c: David E. Janssen, Chief Administrative Officer
Department of Community and Senior Services
Cynthia Banks, Chief Deputy Director
Josie Marquez, Program Director
Pacific Asian Consortium In Employment
Yusa Chang, Vice President & Chief Operating Officer
Albert Sy, Project Director
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**CENTRALIZED CONTRACT MONITORING PILOT PROJECT
REFUGEE IMMIGRANT TRAINING AND EMPLOYMENT PROGRAM
FISCAL YEAR 2003-2004
PACIFIC ASIAN CONSORTIUM IN EMPLOYMENT**

BILLED SERVICES

Objective

Determine whether the Pacific Asian Consortium In Employment (PACE) accurately reported the outcomes of the program participants and that the program participants were eligible to receive services. PACE is paid a fee for each specific outcome (gaining full-time and part-time employment, upgrading from part-time to full-time employment, earning an hourly wage to be self-sufficient, participating in job training instruction, etc.) that the program participants achieve during the billing period.

Verification

We selected a sample of 26 program participants and reviewed their case files for documentation to support the outcomes that PACE reported the participants achieved in October and November 2003. The outcomes represent \$6,742 (12%) of the \$54,761 that PACE billed the County for October and November 2003.

In addition, we interviewed 24 of the 26 program participants and 13 employers to confirm the outcomes that PACE reported were actually achieved. We also reviewed the eligibility status of the 26 program participants on the GAIN Activity and Reporting System (GEARS).

Results

Employment Outcomes

PACE overstated two (11%) of the 18 employment outcomes (full-time employment, part-time employment) which resulted in PACE overbilling the Department of Community and Senior Services (DCSS) \$550 out of the \$6,742 sampled. Specifically, we noted the following:

- One program participant that PACE reported receiving full-time employment in October 2003 stated that he has been employed by the same company since approximately September 2001. In addition, GEARS reported that the participant began employment with the company in January 2003.

PACE based its billing to DCSS on a completed employment verification form that they received from the participant in November 2003 that showed the participant working for a company with a different name. PACE indicated that

their staff were unaware that the form was submitted for only a company name change.

- One program participant that PACE reported receiving part-time employment in October 2003 is compensated on a commission basis. Both the participant and the employer stated that the participant is compensated on a commission basis. The County contract requires that PACE obtain a copy of a commission contract between the participant and employer, which outlines the terms of the participant's employment and rate of compensation. In addition, the contract requires that PACE review copies of the participant's paycheck stubs to verify hours worked and rate of pay. However, PACE never obtained copies of the participant's commission contract or copies of valid paycheck stubs prior to billing DCSS for the placement. PACE based its billing to DCSS on an employment verification form signed by the employer indicating that the participant is paid a bi-weekly salary.

Participant Pay

California State Labor Code Section 226(a) requires that employers furnish each employee at the time of each payment an itemized statement in writing showing: (1) gross wages earned; (2) total hours worked for hourly wage earners; (3) all deductions; (4) net wages earned; (5) pay period; (6) the name of the employee and their social security number. In addition, the County contract requires PACE to review participants' paycheck stubs to confirm the hours worked prior to billing DCSS for job placements.

Five (28%) of the 18 program participants with reported employment outcomes did not receive an itemized listing with their paychecks that reported the number of hours worked and/or any deductions for payroll taxes. PACE billed DCSS for the placements without reviewing valid paycheck stubs to confirm the participants' employment and hours worked. In addition, PACE staff did not inform the participants that they are required to receive from their employers a statement with each paycheck that lists the hours worked and payroll deductions.

Job Training Outcomes

PACE overstated 13 (45%) of the 29 job training outcomes sampled (Job Club, Case Management, Assessment, etc.), which resulted in PACE overbilling DCSS \$546 out of the \$6,742 sampled. Specifically, the case files for the 13 participants did not contain documentation indicating that PACE had monthly contact with the participants as the contract requires. In addition, 17 (81%) of the 21 program participants that we interviewed regarding case management services indicated that PACE does not contact them monthly.

Recommendations**PACE management:**

1. Only charge DCSS for eligible services.
2. Ensure that the program participants receive from their employers an itemized statement with each paycheck listing their hours worked and payroll deductions.
3. Ensure that program participants are receiving case management services in compliance with the contract.

STAFFING/CASELOAD LEVELS**Objective**

Determine whether PACE's caseloads are in compliance with the County contract.

Verification

We interviewed PACE's staff and reviewed PACE's timekeeping records to determine actual staffing levels, and computed the minimum staffing levels required based on the Contactor's caseload.

Results

We noted that two of PACE's five Case Managers' caseloads exceeded the maximum allowed by the contract (115 cases). The two Case Managers reported that their caseloads contain approximately 130 participants. Subsequent to our review, PACE provided documentation indicating that the caseload for the two Case Managers was then below the maximum of 115.

PACE management needs to more closely monitor the Case Managers' caseloads to ensure the actual number of cases assigned to each Case Manager does not continually exceed the maximum number established by the contract. If the number of cases assigned to Case Managers continues to exceed the maximum allowed by the contract, PACE needs to hire additional Case Managers.

Recommendation

4. PACE management more closely monitor the Case Managers' caseloads to ensure actual number of cases assigned to each Case Manager does not continually exceed the maximum number established by the contract. If the number of cases assigned to the

Case Managers continues to exceed the maximum number allowed by the contract, PACE hire additional Case Managers.

STAFFING QUALIFICATIONS

Objective

Determine whether PACE's staff meets the qualifications required by the County contract.

Verification

We interviewed PACE's staff and reviewed their personnel files for documentation to confirm their qualifications. The contract requires that Case Managers either possess a four-year college degree, an AA degree and two years of caseload experience, an AA degree and two years of employment counseling experience, or two years of employment counseling experience in a GAIN environment. Achievement of Junior class standing in an accredited college may be substituted for an AA degree provided other training or experience requirements are met.

Results

PACE's five Case Managers possess the work experience required by DCSS' contract. However, a sixth Case Manager that was laid off in December 2003, but was actively managing cases during the period under review, did not possess the required education or work experience at the time he was hired by PACE approximately six years ago. As a result, during the period of July 1999 – December 1999, DCSS paid PACE for services provided by this individual who did not meet the contract requirements. PACE management needs to ensure that staff possess the required work experience prior to being hired to perform case management in a GAIN environment.

Recommendation

- 5. PACE management ensure that staff possess the required work experience prior to being hired to perform case management in a GAIN environment.**

SERVICE LEVELS

Objectives

Determine whether PACE's reported services for Fiscal Year (FY) 2003-04 significantly varied from planned services levels.

Verification

Review DCSS' Annual Service Level Assessment report for FY 2003-04 and PACE's proposed services levels for the same period.

Results

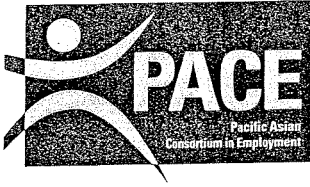
We attempted to review PACE's ability to achieve planned service levels. However, DCSS was unable to provide the projected service levels used to allocate funding to PACE.

Recommendations

There are no recommendations in this section.

BONUSES

During our review of PACE's personnel files, we noted that some RITE contractor staff received incentive bonuses paid using RITE funds. We have referred the appropriateness of using RITE funds to pay bonuses to DCSS for further review. DCSS will report back to the Auditor-Controller within 30 days on the outcome of their review.



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June 3, 2004

Stephen Glazer
Los Angeles County Auditor-Controller
Audit Division
1000 South Fremont Ave. Unit 51
Alhambra, CA. 91803-4737

**SUBJECT: THE AUDITOR-CONTROLLER'S FINAL DRAFT REPORT OF
PACE'S COUNTY RITE CONTRACT.**

Dear Mr. Glazer:

This letter represents our response to the Los Angeles County Auditor-Controller's second final draft report/review of the Pacific Asian Consortium in Employment (PACE), Refugee/Immigrant Training Employment (RITE) contract for the year 2003-2004 that PACE received on May 26, 2004. The Findings/comments noted in the Auditor-Controller's report has been brought to the attention of PACE Management Team and the program staff members of the RITE program. In addition, the findings noted in the Auditor-Controller's report will be closely monitored by the PACE RITE 's program Coordinator and the Project Director, to ensure they are effectively implemented as a part of our corrective action plan (CAP).

Our responses to the findings:

EMPLOYMENT OUTCOMES

As per Auditor's recommendation, PACE management only charge DCSS for eligible services and to ensure that the program participants receive from their employers an itemize statement with each paycheck listing their hours worked and payroll deductions.

First of all, it is always PACE's primary policy and goal is to comply with all FEDERAL, STATE and local laws, regulations, guidelines, procedures, and standards as PACE pertains to the performance of the RITE contract and any other contracts funded by DCSS.

- Regarding a payment of a full-time placement that PACE billed DCSS for a participant who was already employed full-time with the same employer.

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PACE'S EXPLANATION AND COMMENT

As stated in PACE response letter to the County Auditor-Controller's Preliminary Finding dated May 19, 2004, PACE did receive a written verification of employment form signed by [REDACTED], owner of [REDACTED] indicated that the participant was employed at their company since October 6, 2004. In addition, PACE case Manager did contact the employer and verified by telephone with them concerning the participant's employment status. PACE therefore, based its billing to DCSS on a completed employment verification form that PACE received from the participant along with confirmation by telephone with the employer prior to submitting its billing to DCSS for payment. According to PACE's Case Manager, she was not noticed that [REDACTED] address is the same as the previous company's address where the participant has been employed since September 2001. After review of the company's information that was previously reported to the system, PACE learned that the cause of this report was due to overlooking the company's address by PACE Case Manager. [REDACTED]

To prevent from having similar occurrence, the future billing report will be closely monitored and reviewed by the PACE RITE's Program Coordinator and the Project Director prior to submitting to DCSS for payment.

- One participant that PACE reported receiving part-time employment in October 2003 is compensated on a commission basis. [REDACTED]

PACE EXPLANATION AND COMMENT

PACE did review both the participant's paycheck stubs and verification of employment form signed by the employer of [REDACTED] and verified with the employer by telephone about the participant's hours worked and rate of pay prior to submitting this placement outcome to DCSS. PACE Case Manager was unaware that the participant was compensated on a commission basis. In addition, PACE obtained a new written statement from the employer of [REDACTED] and [REDACTED] stated that the participant [REDACTED] did worked 108 hours and earned \$732.00 in October 2003. See the attachment for further information.

PARTICIPANT PAY

PACE, as a contractor with the Los Angeles County Community Senior Services, it is PACE responsibility to ensure that all employment is compensated at the State of California minimum wage or above. PACE has never billed DCSS or received payment from DCSS for any placement in which compensation is below the State of California minimum wage or overtime wages are not paid.

PACE RITE program staff members including the Management Team were informed and received a copy of the Los Angeles County Bulletin number REF B-04-01 dated April 22, 2004, reminding of the importance of complying with the State of California Labor

Code Section 226(a) and that only submit payroll documentation that conforms to State Laws, specifically California Labor Code Section 226(a), is mandatory to confirm all successful employment placements. However, as we are aware, most of small businesses in Los Angeles County do not have computerized payroll system/procedures as other big companies have in place and we are, as a contractor has no authority to ask these employers to set-up such payroll system to meet our needs.

PACE RITE Program Coordinator and the Project Director will be closely monitored and reviewed of future employment placement outcomes prior to submitting to DCSS for payment.

JOB TRAINING OUTCOMES

The Auditor's report stated that the 13 of 29 participants did not contain documentation indicating that PACE had monthly contact with the participants, as the contract requires. In addition, the Auditor's report further stated that 17 of the 21 same participants they interviewed regarding case management services indicated that PACE does not contact them monthly.

PACE EXPLANATION AND COMMENT

Please be advised that PACE RITE Case Managers commence its case management with the participant on the day the participant's case is transferred to the case manager's file cabinet via GEARS, and contact participants to determine if support services, such as child care and transportation, are needed for the participant to attend Orientation and all assigned activities according to the GAIN flow chart as well as ensuring that all participants receive bilingual/interpretive case management services based on the participant's Primary Language Designation Form (PA 481) sufficient to assist them in achieving employment and reaching economic self-sufficiency.

In addition, reviewing and processing the participants' requests for transportation assistance and other support services did require a thorough review of the Case Managers including completing the participants transportation checklists, calculating hours worked and earnings in order to ensure the participants did meet and comply with 32 and 35 hours work requirements and checking paycheck against verification of employment for accuracies; and checking internet to find out driving direction and distance from the participants' residential area to worksite to determine how the participants should be reimbursed. For example, if the total miles are higher but bus line is available, the participants would be reimbursed by bus fares.

However, if the cost is less with short distance, the participants were to be reimbursed by miles using his or her personal vehicle. Once all these steps and procedures are completed, the Case Manager would then update and transmit the required information into the GEARS system for the Supervisor's review and approval. In addition, Case Managers are required to make copy of paycheck stubs, verification of employment, complete transportation checklist and faxed to DPSS and CSS for review and final

approval of processing and issuing payment. Some time, participant's requests for transportation required two approvals of DPSS staff depending on the amount of payment involved. One can see that our Case Managers had to spend a considerable amount of time on each case even more.

Auditor's commented that 13 participant files did not contain documentation indicating that PACE had monthly contact with the participants as the contract required. And other 17 of the 21 same program participants that the Auditor interviewed regarding case management services indicated that PACE does not contact them monthly.

However, as it was described above, PACE did provide monthly case management services to the participants and the participants did receive these allowable services including the provision of support services from PACE County RITE program. This could have been occurred due to lacking of proper case file documentation by PACE Case Managers after such services provided to the participants, so that the information were not available at time the participants files were reviewed by the Auditor-Controller.

STAFFING/CASELOAD LEVELS

The PACE two Case Managers [REDACTED] & [REDACTED] caseloads exceeded the maximum allowed by the contract (115 cases). PACE had provided further documentation to the Auditor indicating that the caseload for these two Case Managers was below the maximum of 115.

RITE Program Coordinator and the Project Director will monitor the Case Managers' caseloads closely and to ensure the actual number of cases assigned to each Case Manager does not continually exceed the maximum number established by the contract. If the number of cases assigned to Case Managers continues to exceed the maximum allowed by the contract, PACE will consider hiring additional Case Managers.

Staffing Qualifications

The PACE Case Manager named [REDACTED] who was laid off in December 2003 did possess the following work experience prior to being hired to perform case management in a GAIN environment.

1. [REDACTED] worked in the Refugee Employment Program for over 4-month as an Employment Services Representative. His job duties and responsibilities included job counseling, job preparation workshop, job development and job placement and other related services for newly arrived refugees and asylums in the Los Angeles County.
2. 8-month of work experience in 63 + program, served senior citizens and prepared them for the field trips in the San Gabriel Valley area.

3. 9-10 month of work experience, served on the staff of Work Relief Occupational Skills Center in the Indochinese Refugee Camp at Galang, Indonesia. As a teacher of the course " Basic Typing" he was responsible for instructing in English adult vocational students in classes of 15-20. He was hired to perform teaching duties based upon his English language skill and technical competence.

In addition, [REDACTED] is familiar with the Asian Culture, especially Vietnamese culture, since he has the language with participants so he understand deeply what they need and barriers. [REDACTED] did receive all training courses including GEARS AND GAIN INDUCTION. He was a South Vietnamese Army Officer (Captain) during the Viet Nam war. Therefore, his work experience and education qualified him providing culturally/linguistically appropriate services for non-English and non-Spanish speaking population in the Los Angeles County.

PACE Management Team will continue to ensure that any potential staff possesses the required work experience prior to being hired to perform case management in a GAIN environment.

If you have any questions regarding our response, please feel free to contact me at (213) 989-3151.

Sincerely,



Albert Sy
WOD Project Director

cc: Adine Forman, Acting Program Manager
Office of Refugee Assistance & GROW
Kerry N. Doi, PACE President & CEO
Yusa Chang, PACE Vice President & COO
Ashley Dang, RITE Program Coordinator